

Message Text

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AMEMBASSY OTTAWA

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SUBJECT: QUEBEC ELECTIONS AND THE MULTILATERAL TARIFF NEGOTIATIONS

1. IN A LUNCHEON DISCUSSION OF GENERAL US/EC/CANADIAN RELATIONS, CANADIAN AMBASSADOR TO THE EUROPEAN COMMUNITIES CADIEUX GAVE AN INTERESTING, AND EVEN ELOQUENT, PERSONAL ARGUMENT TO THE AMBASSADOR ON WHY THE TRADE NEGOTIATIONS HAVE ASSUMED A MUCH GREATER IMPORTANCE FOR CANADA AFTER THE QUEBEC ELECTIONS.

2. AMBASSADOR CADIEUX BELIEVES THAT, DESPITE THE PUBLIC OPINION POLLS OPPOSING SEPARATISM IN QUEBEC, THE LEVESQUE ELECTION REPRESENTS A SERIOUS THREAT TO THE UNITY OF CANADA. THE EVENTUAL QUEBEC DECISION ON WHETHER OR NOT TO REMAIN IN CANADA WILL DEPEND HEAVILY ON WHETHER QUEBEC AND CANADA CAN ACHIEVE ECONOMIC PROSPERITY. THIS PROSPERITY CANNOT STEM FROM CANADIAN CONCENTRATION ON RAW MATERIAL EXPORTS. CANADIAN ECONOMIC GROWTH CAN

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ONLY COME FROM A HEAVY INFLUX OF INVESTMENT IN

INDUSTRIAL PROCESSING. THE ECONOMIC SITUATION MUST ALLOW A MOVEMENT FROM MERE PRODUCTION OF RAW MATERIALS TO A HIGHER DEGREE OF PROCESSING. THE CANADIAN MARKET IS TOO SMALL TO JUSTIFY SUCH A MOVEMENT. A CANADIAN SHIFT TOWARD GREATER MANUFACTURING ACTIVITY AND FURTHER RAW MATERIAL PROCESSING CAN BE BASED ONLY UPON CANADA'S ABILITY TO FIND A MARKET FOR THESE NEW PRODUCTS IN OTHER PARTS OF THE WORLD. CONSEQUENTLY, THE CANADIAN INTEREST IN A SUCCESSFUL CONCLUSION TO THE MTN'S HAS BECOME MUCH MORE ACUTE. THE PROSPECTS FOR CANADIAN UNITY DEPEND HEAVILY UPON THE OPENING OF WORLD MARKETS, AND OF COURSE THIS MEANS PRINCIPALLY THE AMERICAN MARKET, AND UPON A CONSEQUENT RISE IN INVESTMENT IN CANADIAN MANUFACTURING.

3. AMBASSADOR CADIEUX SEEMED TO IMPLY THAT CANADA IS NOT ADVERSE TO SUPPLY ACCESS ARRANGEMENTS, (WITHIN CONSTRAINTS IMPOSED BY FEDERAL/PROVINCIAL RELATIONSHIP) BUT FOR THE MOMENT THESE WOULD BE ADDRESSED IN A SECTORIAL CONTEXT ON THE MARGIN OF THE MTN--THOUGH CLEARLY AFFECTING THE MTN. HE MENTIONED IN THIS CORRECTION EC INTEREST IN CANADIAN ENERGY SOURCES (MAINLY URANIUM BUT ALSO POSSIBLY THE TAR SANDS). HE THINKS IN THE LONG RUN THE COMBINATION OF ENLARGED INVESTMENT AND ASSURED CANADIAN SUPPLIES IN THE ENERGY SECTOR MAY BOLSTER THE WESTERN RESPONSE TO CONSTANT OPEC EFFORTS TO RAISE OIL PRICES.

4. COMMENT: CADIEUX' ARGUMENT ON THE IMPORTANCE OF MTN TO CANADA CAN OF COURSE BE INTERPRETED AS MERELY AN EFFORT BY THE CANADIANS TO TAKE ADVANTAGE OF THEIR INTERNAL POLITICAL PROBLEMS TO PRESS THE UNITED STATES AND EC FOR TARIFF REDUCTIONS, BUT THE FERVOR WITH WHICH AMBASSADOR CADIEUX DELIVERED THIS MESSAGE SEEMED TO INDICATE THAT HE PERSONALLY FEELS THAT THIS IS AN ISSUE OF TRULY VITAL IMPORTANCE FOR CANADA AND THAT THE SUCCESS OF THE MTNS HAS NOW ASSUMED A COMPLETELY DIFFERENT LIMITED OFFICIAL USE

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SIGNIFICANCE FOR CANADA'S POLITICAL FUTURE. HINTON

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